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June 21, 2000

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, S.W.
12th St. Lobby, TW A325
Washington, D.C. 20554

Re: CC Docket No. 99-333, Ex Parte Filing

Dear Ms. Salas:

The attached letter and enclosure was sent to Chairman Kennard and the other Commissioners yesterday. In accordance with Section 1.1206(b)(1) of the Commission's rules, an original and two copies of this notice are being submitted to the Secretary. Please contact the undersigned counsel for the Greenlining Institute (at 415.284.7202) if you have any questions.

Sincerely,

Christopher Witteman
Telecommunications Counsel

Attachment

cc: Robert Gnaizda (w/o Attachment)
International Transcription Service (w/ Attachment)
444 12th St. SW
CY-B402
Washington D.C. 20554

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June 20, 2000

The Honorable William Kennard
Chairman
FCC
445 12th St., SW
Washington, D.C. 20554

MCI WorldCom and Sprint: Updated California PUC Data Shows Harm to Public Interest and Minorities

Dear Chairman Kennard and Members of the Commission:

The Greenlining Institute and Latino Issues Forum have, based on recent discovery secured in the pending MCI WorldCom/Sprint CPUC merger proceeding, data that:

a.) affects the public interest component of the above-entitled matter before you;
b.) calls into question the credibility of MCI WorldCom data presented to you; and
c.) illustrates the need for even greater FCC and Department of Justice analysis of the anti-competitive impact of the proposed merger.

We therefore lodge these comments with you, with copies to the other Commissioners and to the Secretary of the FCC in accord with Section 1.1206(b)(1) of the Commission's rules.

All White Male Club Ignores Minority and Underserved Communities

MCI WorldCom has provided data showing that:

- All of its key policy-makers (Top 25) are white males.
- Only one of its senior managers (Top 100) is African American or Asian American. Two are Hispanic. None is a minority woman.

In contrast, two other regulated utilities (Edison and PG&E) made data available to us that shows that one-third of their policy-makers are minorities and twenty percent of their senior management (Top 100) are minorities. (See attached Gamboa Testimony filed June 12, 2000 with the CPUC.)

Thus, WorldCom is not in a position to effectively understand or serve California, where 51 percent of their potential customers are minorities.

Last in Minority Contracts

Nine major utilities annually file minority/women contract reports with the CPUC. MCI WorldCom and Sprint finished next to last and last in 1999. In fact, Sprint awarded zero percent of its annual contracts to African Americans.

GTE, SBC and AT&T each have records that are twice as good as MCI's record and up to seven times better than Sprint's. GTE and SBC each awarded 21 percent of their contracts to minorities and AT&T awarded 18 percent. In stark contrast, Sprint awarded only 3 percent and MCI only 8 percent. Each received a Greenlining rating of "F". (See Gamboa testimony and attached charts.)

Blackballing California

The most vivid example of blackballing and/or redlining relates to MCI WorldCom and Sprint's philanthropic investments in California.

MCI WorldCom contributed only $90,000 in 1999 for all of California, or far less than a half a penny per resident. Sprint contributed only $73,000. None of these sums went to any African American, Latino or Southeast Asian non-profits. In contrast, one-third of all MCI WorldCom funds were awarded to The Monterey Jazz Festival – an all white-controlled annual event.

Sprint's focus on white-controlled organizations was similar. For example, in 1999 it gave almost three times as much to the Kansas City Ballet ($110,000) and Kansas City Opera ($100,000) as its total contributions in all of California.

Philanthropy among telecommunication companies is generally designed to assist in marketing. The pattern herein indicates no interest in the California market and a total absence of interest in the minority markets which represent over half of all potential customers in California, the world's seventh largest market. (See attached Gamboa testimony.)

No Minority or Low Income Outreach

MCI WorldCom has had a low-income Family Assist "program" in California for approximately three years. It was announced as an effort to provide low-cost long distance services to lifeline and other low-income customers. Less than one-tenth of one percent (0.1%) of eligible California customers have signed up. The reason, which WorldCom has acknowledged, is that it does not advertise, market, or otherwise inform potential customers of its existence. (See Gamboa testimony.)

This type of non-program designed for FCC and other regulator consumption but not for customer usage, is typical of the misleading nature of the MCI WorldCom filing. It puts in question the credibility of the entire MCI WorldCom filing.

A June 8th customer survey of the Family Assist program demonstrates the disingenuous nature of this so-called program. MCI representatives refuse to disclose its existence. (The survey will be submitted as an addendum once filed with the CPUC on June 15th.)

Misleading Data

Although California is the world's seventh largest economy, MCI WorldCom has filed rather confusing data with the CPUC indicating that only one percent of its total ten billion dollars in merger savings is attributable to California. (See Gamboa testimony and letter of financial expert Michael Phillips demonstrating the flawed and self-serving nature of the WorldCom data.)

Similarly, MCI WorldCom contends that it will help wire 40 low income schools. Their definition is questionable. One school, for example, serves a district with an average income of $75,000 and is 82 percent white in a state where 51 percent of the population is minority. (See attached testimony of Viola Gonzales, Executive Director of Latino Issues Forum.)

WorldCom Fine Represents Less Than Hour's Revenue

The FCC is to be congratulated on its recent 3.5 million dollar fine of MCI/WorldCom for slamming. This represents, however, less than the revenue MCI generates in just one hour. (Based on first quarter of 2000, MCI's annual revenue will be 39.9 billion dollars a year, or over three hundred million dollars a day, or over 12 million dollars an hour.)

In its recent CPUC testimony, MCI WorldCom suggests a $50,000 fine each quarter if its consumer complaints increase. This is disingenuous since it represents less than one minute of revenue.

As the attached Gamboa testimony sets forth, the most effective remedy is to tie CEO Ebbers' bonus and stock options to consumer complaints. If, for example, complaints increase, he and his top 25 policy-makers should forfeit all performance bonuses and forego any stock options. Future fines representing less than an hour's revenue are unlikely to be effective.

Conclusion

California Public Utilities Commission data demonstrates the dangers to the public interest of the MCI WorldCom/Sprint merger and the credibility gap between what MCI WorldCom contends and reality.

Respectfully submitted,

Christopher Witteman	Robert Gnaizda
Staff Counsel	General Counsel
Greenlining Institute	Greenlining Institute

cc: Commissioner Susan Ness, Commissioner Michael K. Powell, Commissioner Gloria Tristani, Commissioner Harold W. Furchtgott-Roth, FCC Secretary Magalie Roman Salas

Enclosures

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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In re Request of MCI WorldCom, Inc. and Sprint Corporation for Approval to Transfer Control of Spring Corporation's California Operating Subsidiaries to MCI Worldcom, Inc.	) Application No. 99-12-012) (Filed December 10, 1999)

SUPPLEMENTAL TESTIMONY OF JOHN C. GAMBOA

ON BEHALF OF THE GREENLINING INSTITUTE AND LATINO ISSUES FORUM

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Date: June 12, 2000

Attorneys for Intervenors/Protestants Greenlining Institute and Latino Issues Forum

SUPPLEMENTAL TESTIMONY OF JOHN GAMBOA

Q1: Mr. Gamboa, have you read the rebuttal testimony of David Porter and Sally McMahon on behalf of WorldCom?

A1: Yes. However, I have concentrated on their testimony as it affects the issues Greenlining has raised and its rebuttal of my testimony.

Q2: Regarding the rebuttal of your testimony as to the lack of diversity at WorldCom, do you have any brief comments?

A2: Yes. Mr. Porter has avoided the issue. Our expressed concern is not about the lack of minorities in general, but about the absence of minorities among those who decide the quality of service to Californians, including whether Underserved Communities will be redlined or shortchanged and who determines WorldCom's aggressive marketing practices that UCAN has so well-documented.

Q3: Can you be specific?

A3: Yes. WorldCom gave us, pursuant to discovery, the following information:

None of the 25 top officials who decide the policies that affect California and the nation are women. None are African American. None are Latino. None are Asian American.

Further, their top 100 officials include no minority women, only one African American, only one Asian American and just two Hispanics.

Q4: Is any CPUC-regulated corporation doing any better?

A4 Yes. For example, Edison, as of May 2000, had twenty minorities among its Top 100, including 9 African Americans, 6 Latinos and 4 Asian Americans. This included 5 minority women. Thus, Edison's record is at least five times better than WorldCom's, including nine times better for African Americans.

Similarly, among the Top 25 Edison is far better. In contrast to WorldCom's zero minorities or women, Edison's 26 officers include six minorities and four women, including two minority women.

PG&E's record and SBC's are also far better.

WorldCom also states that it has plans to increase its diversity by giving millions of dollars for job fairs. This is irrelevant to whether they have any specifics plans to have a diverse work force where it counts – at the top. Why can't they match Edison? They should set five year goals to do so and report annually to the CPUC on their goals and achievements.

Q5: WorldCom in its rebuttal denies that it has a poor record on minority contracts. Do you agree?

A5: No. Among the major utilities Sprint finished dead last and MCI was next to last. But this fails to tell the whole story. Sprint awarded only 3 percent of contracts to minorities and MCI only 8 percent. In contrast, GTE had 21 percent, PacBell 21 percent and AT&T 18 percent. In fact, Sprint awarded zero contracts to African Americans. These are the charts we previously provided to WorldCom on their bad record relative to other major regulated utilities.[1]

Total Minority Contracts -- 1999

Company	Percent	Grade
PacBell	21.5	A
GTE	21.4	A
Edison	21.2	A
SDG&E	18.9	B+
AT&T	18.2	B-
So Gas	14.6	C+
PG&E	13.6	C+
MCI	8.0	D
Sprint	3.3	F

Q6: What should be done?

A6: Good faith goals should be set for each minority that equal the achievements of AT&T, GTE and PacBell and they should be achieved within two years. That is, 18 to 21 percent for minorities.

Q7: WorldCom rebuts your testimony that they do not provide charitable contributions to the needy. What is your basis for criticizing their record?

A7: I base my response on the data WorldCom provided to us on discovery. It shows that WorldCom/MCI made only $90,000 in total California charitable contributions in

[1] Additional charts are attached at the end of the testimony.

1999 and that none went to African American, Latino or Southeast Asian American groups. It also shows that the main recipient was the Monterey Jazz Festival – it received $30,000 or one-third of the total for California. And in 2000, it made just one contribution $30,000 to the Monterey Jazz Festival.

Sprint's record was just as poor. It made only $73,000 in contributions in California in 1999. None were made to minority groups.

In contrast, Wells Fargo alone made $24 million dollars in charitable contributions in California in 1999 or a sum over 100 times greater than the combined MCI/Sprint figures. Most important, over 18 million dollars from Wells was awarded to minority and underserved community non-profits.

Q8: Is there any relationship between all of California receiving just $73,000 in charitable contributions from Sprint and where the CEO resides?

A8: Yes, Sprint, for example, gave almost three times as much to its hometown Kansas City Ballet and Opera in 1999 as it did for all causes in California. ($110,000 for the Ballet and $100,000 for the Kansas City Opera.) And over the last three years (1997 to 1999) Sprint, most probably due to its CEO's personal interests, gave $488,000 to the Kansas City Ballet and Kansas City Opera. This represents over twice the $220,000 contributed in California for all causes over this period of time.

Since Kansas City has only 435,000 residents *versus* California's 34 million, the real disparity is almost a hundred times greater. Because most of Sprint's Kansas City and Missouri contributions are not specifically identified by location, we can not at this time provide the total dollar amount contributed in Missouri, a state whose population is less than one-sixth that of California (5.4 million in Missouri and 34 million in California).

Q9: What are your recommendations?

A9: WorldCom commit to at least five million dollars a year for California in underserved community philanthropic contributions. This represents substantially less than one-third of one percent of the combined entity's gross revenues in California. And it represents only a third of one percent of the 1.7 billion dollar severance package being offered to Sprint executives.[2] And, on a per capita basis, this is far less than they have committed to Jackson, Mississippi or Kansas City. (See attached article on Sprint executive compensation.)

Q10: WorldCom in its rebuttal contends that it provides affordable quality service to

[2] "Telecom Deal Certain to Pay Off for Execs," *SF Chronicle*, May 29, 2000 (attached).

low income families through its so-called Family Assist program. Isn't this a good idea?

A10: It's a great idea. But it is only an idea. It is deceptive to claim they have a program. They deliberately have expended nothing on marketing and outreach. Low-income or lifeline families do not know of the service or use it. This is the type of deception or misleading presentation that causes me to doubt any statements by WorldCom that are not backed by any hard data.

Q11: What are your suggestions?

A11: WorldCom should provide the CPUC with a verified statement of the total number of California lifeline customers signed up with Family Assist in 1997, 1998, 1999 and through April 2000, and the total direct marketing dollars attributed to this program in California to date, in order to establish a baseline.

WorldCom should be required to expend at least two million dollars a year for the next four years on marketing and outreach for this program and set a 25 percent of lifeline customer goal by 2001, and a fifty percent goal by 2003. Their marketing efforts should be audited by the CPUC.

Q12: As to your position on diversity, minority contracts, charitable contributions and Family Assist, should the goals be set only if the merger is approved?

A12: No. The same good faith standard should be used as WorldCom applied to its executives. They will receive $1.7 billion in compensation even if the merger fails. Similarly, as a condition for this merger being considered, WorldCom should commit to the reporting and goals whether or not the merger is approved.

Q13: In its rebuttal testimony, WorldCom commits to a 20 million dollar community trust fund over ten years. What is your response?

A13: It is worth the equivalent of $10 million dollars over four years, the period of time used for their calculation of savings. Second, $10 million dollars is less than one percent of the $1.7 billion dollars in Sprint executive severance pay. And it is only one-tenth of one percent of the almost $12 billion dollars in projected global savings.

Assuming the California savings are $116 million dollars over four years, the Consumer Trust Fund should be $58 million dollars over four years, or half the projected four year savings.

However, should, as our expert Michael Phillips contends, the total California savings be $340 million dollars or more, the trust fund figure could still be proportionately adjusted upward to approximately 150 million dollars. This is still modest relative to the $1.7 billion dollar Sprint executive severance package. Mr. Phillips letter to me on this subject is attached.

Q14: WorldCom's rebuttal testimony challenges your assertion that the merger could exacerbate the absentee landlord problem. What is your response?

A14: Jackson, Mississippi is as far cry from a San Francisco or even a D.C. headquarters. Moreover, the bigger the company, the greater the problem.

Since California represents a potential 20 percent of the national market and is the center for Asian Pacific and Mexico trade, the WorldCom CEO should set up a global headquarters in San Francisco and commit to at least monthly CEO visits and having one of his top three executives located in San Francisco full time.

Q15: WorldCom in its rebuttal discusses its efforts to develop internal mechanisms to minimize consumer complaints and ensure responsible corporate behavior. What is your opinion?

A15: It is not enough given WorldCom's recent past history as demonstrated by UCAN's testimony and exhibits and our general knowledge of unregistered consumer complaints among minorities, non-English speakers and new immigrants. Every complaint filed by a middle class consumer represents only a tiny fraction of the level of complaints that would be filed if the CPUC had an effective centralized complaint system or utilities properly recorded complaints. For the underserved community, the percentage of victims who file complaints is far fewer. In the *CTS* marketing abuse case, for example, the CPUC staff admitted that less than one percent of complaints it received were from Latinos and only 1/10th of one percent from Asian Americans, even though they collectively represent over 43 percent of all customers and are the ones most likely to be victims.

Q16: What additional consumer remedies do you urge?

A16: In addition to the UCAN Corporate Code, which is an excellent starting point, we urge the following as part of a WorldCom Consumer Code of Responsibility:

Monthly reports of all complaints to be filed with the CPUC, CEO Ebbers and the consumer intervenors;

Complaints to be categorized and defined by a CPUC-appointed committee that includes UCAN, Greenlining, CSD and WorldCom;

A maximum complaint level be defined by the Committee. Violations of such to include automatic penalties and be tied to the bonuses and stock options of the Top 25 WorldCom executives including the CEO. (A $50,000 per quarter maximum, as raised by WorldCom, is meaningless as it represents less than one minute of revenue since annual total global revenue exceeds 54 billion dollars);

and

The appointment, with input from this committee, of a WorldCom Independent Ombudsperson for Consumer Protection stationed in California. (The compensation and duration of appointment to be fixed to ensure independence.) The Ombudsperson should file publicly-available quarterly reports with the CPUC and the WorldCom CEO.

Q17. Does that conclude your Supplemental Testimony?
A17. Yes, although I note that other erroneous statements in Applicants' rebuttal testimony may be addressed through cross-examination. I reserve the right to comment on intervening testimony and evidence submitted in this proceeding.

Dated: June 12, 2000

Attachment A

Minority Contract Rankings

Latino Rankings

Company	Percent	Grade
SDG&E	12.5	A
GTE	10.9	B
PacBell	9.3	B
Edison	8.7	B-
So Gas	7.2	C+
PG&E	6.0	C
AT&T	4.9	D
Sprint	1.8	F
MCI	1.4	F

African American Rankings

Company	Percent	Grade
AT&T	9.5	A-
PacBell	5.2	B
GTE	4.6	B
So Gas	4.0	B-
Edison	3.4	C+
SDG&E	3.0	C
PG&E	1.8	C-
Sprint	0	F
MCI	0.7	F

Asian American Rankings

Company	Percent	Grade
Edison	8.3	A
PacBell	6.2	B+
GTE	5.7	B+
MCI	5.9	B+
PG&E	4.2	C+
AT&T	3.7	C+
SoCal Gas	2.9	C-
SDG&E	1.1	D-
Sprint	0.1	F

Minority Women Rankings

Company	Percent	Grade
SDG&E	9.2	A
PacBell	6.8	B
Edison	5.0	B-
So Gas	4.5	C+
GTE	3.6	C
AT&T	3.0	C
PG&E	1.9	C-
Sprint	1.4	D
MCI	0.2	F

San Francisco Chronicle
May 29, 2000

Telecom Deal Certain to Pay Off for Execs

By Ted Sickinger
Kansas City Star

Kansas City, Mo. – If executives at Sprint Corp. and WorldCom fail to steer their proposed merger past antitrust regulators, shareholders may want some answers.

One of the first questions they may ask: Why, if the merger failed, was the process still a financial bonanza for executives and senior management?

Sprint shareholders overwhelmingly approved the WorldCom deal April 28, enticed by the prospect of $76 in WorldCom stock for every Sprint share, which closed Friday at $56.

What many shareholders may not have realized was that they also approved a provision that accelerated the vesting of stock options worth as much as $1.7 billion to Sprint executives and employees – even if WorldCom never completes its purchase.

"What you could have here is the worst of both worlds, a huge wealth transfer to management and employees, with no benefit to shareholders," said Nell Minow, editor of a corporate governance Web site. "Shareholders may be paying for something they never get."

At a special shareholders' meeting in April, Sprint Chief Executive Officer William T. Esrey told shareholders that regulatory hurdles were to be expected in a deal of such magnitude, but that the companies expected to win approval by fall.

That may still happen. If it does not – and regulatory prospects for the deal have darkened in recent weeks – shareholders may look back on the vote with some skepticism.

It is not uncommon for options to vest when companies merge. The rationale is to minimize management's motivation to protect its own interests by blocking a merger that would benefit shareholders.

What is unusual – though not unique – in Sprint's case is that the benefits accelerated with the shareholder vote, not with the completion of the deal. And with a deal of this size and complexity, companies do not normally hold shareholder votes before the government's concerns are resolved, some compensation experts say.

Recently, staffers at the U.S. Department of Justice also forwarded a recommendation to block the deal on antitrust grounds to the department's chief antitrust regulator, Joel Klein.

62 Stanton Street, San Francisco, CA 94114

May 31, 2000

Mr. John Gamboa
Executive Director
Greenlining Institute
785 Market Street, 3rd floor
San Francisco, CA 94103

Perspective on MCI/Sprint California Savings

Dear John:

You have asked me provide to you and the Greenlining Institute my summary observations about merger savings in the Sprint/MCIWorldCom (hereinafter Sprint/MCI) merger now pending before the California Public Utilties Commission.

I understand that you wish my input in preparation for your testimony in that proceeding and that you may share these observations with ORA and its experts, as well as those of UCAN and TURN.

As you know, I was unable to prepare written testimony as I have in many other Commission proceedings, due to prior, long-term commitments out of the country.

Specifically, you have asked me to provide an expert opinion as to the accuracy of the $116 million that Sprint/MCI contends are its projected California savings. My opinion about the Sprint/MCI merger application is based upon the materials about the merger prepared by Sprint for its shareholders:

- In 1999, Sprint/MCI had approximately $54 billion in combined revenue;
- The companies themselves project $9.7 billion in savings worldwide from the merger;
- The combined companies made less than $200,000 in charitable contributions in California in 1999.

In addition, they informed Greenlining that they had $1.8 billion in 1999 California revenue, and the San Francisco Chronicle, May 29, 2000, reports a $1.3 billion dollar executive severance package to top Sprint executives, payable whether or not this merger is approved.

Given these facts, I have formed the following opinions and suggestions:

First, based on the above statistics, it is reasonable to assume that California is responsible for 3.5 percent of their global revenue. On this basis, the proportionate California savings is likely to be closer to $340 million than the reported $116 million.

Second, the $340 million future California savings may itself be an underestimate. California has elements that could increase long distance usage patterns: a large ethnic population with ties to other nations, a consumer population with high-tech preferences, and a rapidly growing population.

phone and fax: 415.695.1591 mp@well.com www.well.com/user/mp

Third, it is questionable that the savings over a five year period will be only ten billion dollars globally. This modest estimate of savings is in contrast to the generous offer WorldCom has committed, of $1.3 billion of its projected $9.7 billion dollars in savings, to top Sprint executives as severance packages even if the merger is not approved.

The value of the $1.3 billion unconditional severance package, paid over a short period of time, suggests they expect larger potential savings. The last decade of WorldCom acquisitions demonstrates that WorldCom's CEO is highly-experienced in mergers and is unlikely to commit $1.3 billion, or 13% of the total savings, unless he believes the potential savings considerably exceed $9.7 billion.

Fourth, the past minuscule charitable contributions in California, which I estimate to be 1/100th of one percent of revenue, demonstrate that the California market potential has been ignored or neglected. The California charitable contribution patterns of phone companies, such as SBC, are evidence of the appropriate behavior of aggressive marketers in California. Were the applicants to match the philanthropy of SBC in California, marketing results would be positive and their savings could be much higher.

Fifth, announced "savings" by WorldCom may not be entirely from anticipated reductions in cost; part of it may be from increased revenues.

If the merger is approved, Sprint/MCI and its nearest competitor AT&T together will control approximately 84% of the long distance market. Such a duopoly could be in a position to stop further decline in consumer prices and, perhaps, to increase prices. Revenue increases may be part of the estimated $9.7 billion in "savings".

Lastly, given the conclusions and suppositions stated above, and the strong self-interest inherent in the Applicants' own estimates of their savings, I strongly recommend that the CPUC call its own expert and collect more data in order to ensure an unbiased opinion based on all of the relevant facts.

Given the magnitude of this merger, I also suggest that Greenlining and ORA urge the CPUC to secure U.S. Department of Justice expertise on this issue, and also, perhaps, the California Attorney General's antitrust expertise.

Should the hearing on this issue be extended until June 15th, I am prepared to testify and will provide an advance copy of my testimony.

Please inform ORA and the other consumer intervenors that I am available to them until I depart on June 6th.

Sincerely,